



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
820 N. FRENCH STREET
WILMINGTON, DELAWARE 19801

DIVISION OF REVENUE
TECHNICAL INFORMATION MEMORANDUM 87-5

September 25, 1987

SUBJECT: WITHHOLDING OF STATE INCOME TAXES - FORM W-4 ALLOWANCES
FOR STATE PURPOSES

This memorandum responds to inquiries regarding the number of State allowances to be claimed by employees to achieve the appropriate level of withholding of state income taxes from wages.

Section 12(a) of the guide to employers entitled Withholding of Delaware Income Tax: Regulations, Employer's Duties, Withholding Tables explains the relationship of the federal form W-4 and state withholding allowances. This section of the regulations is quoted below and is followed by a further explanation of the steps that employees can take to assure appropriate levels of withholding of state taxes, particularly where state and federal withholding allowances may substantially differ from each other. The Division of Revenue recommends that during periods of significant changes to federal and state tax laws, and, of course, during periods of any change of an individual's personal economic circumstances, a review of federal and state tax withholding from wages is necessary.

Quoting from current regulations:

"12. (a) WITHHOLDING EXEMPTION AND ALLOWANCES

Ask each new employee to furnish a signed Federal Form W-4 on commencement of employment. A Federal Form W-4 filed by a new employee is to be made effective upon the first payment of wages. If an employee fails to furnish a certificate, you must withhold tax as if the employee is a single person who has no withholding exemptions.

An employee is entitled to the same number of withholding exemptions as he or she is entitled to for Federal Income Tax withholding purposes. Thus, an employer may rely upon the number of Federal withholding exemptions claimed by the employee. However, due to the differences between Federal and State deductions and credits, it may be necessary for an employee to claim either an additional number or a lesser number of withholding exemptions for State purposes if the estimated withholding from the

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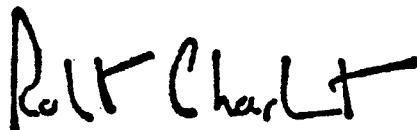
employee's wages would not result in an amount substantially equivalent to the tax reasonably estimated to be due from the employee. In such cases, the employee shall file Federal Form W-4, or equivalent provided by the employer, and indicate separately the number of exemptions claimed on said form 'For State of Delaware Purposes'."

There are two methods for estimating the number of withholding allowances for State taxes. The more detailed method requires a State form, in essence a "State W-4 Worksheet". It is offered only as a worksheet for determining the appropriate number of Delaware withholding allowances for those who believe their tax computation is complicated by non-wage income and substantial deductions. It is not required of Delaware wage earners; nor is it required to be in the files of employers. The worksheet is attached. Copies of the worksheet may be subsequently reproduced by the employer and they are available from the Division's Taxpayer Service offices or by calling 571-3300.

In lieu of the worksheet method, there is a practical and convenient rule of thumb for individuals who wish to compute separately the number of withholding allowances for federal and state taxes. Starting with the number of personal exemptions to be claimed on the tax return itself, the state computation for 1987 is as follows:

- (1) For each \$1000 by which your itemized deductions, net of state income taxes paid, exceed the \$1000 standard deduction, take one additional allowance.
- (2) For each \$1000 of non-wage income that you expect to receive, take one fewer allowance.

Clarification is also necessary with regard to employees who fail to file revised federal W-4 forms by September 30, 1987. Withholding of federal taxes of such employees is to occur as if they had claimed one allowance if single and two allowances if married. Where the employee has not filed with his or her employer a separate W-4 form (or separate designation) "For State of Delaware Purposes" the same rule is to be applied for State of Delaware withholding. If the number of allowances currently in effect is based upon a "For State Of Delaware Purposes" W-4 form filed by the employee at any time in the past, withholding may continue in accordance with that form.



Robert W. Chastant
Director of Revenue

WITHHOLDING ALLOWANCE(S) COMPUTATION WORKSHEET - STATE OF DELAWARE

A. Enter "1" for Yourself if no one else claims you as a dependent. A. _____

B. Enter "1" for your Spouse if no one else claims your spouse as a dependent. B. _____

C. Enter number of dependents other than your spouse that you will claim. C. _____

D. Enter "1" if you qualify to take a child/dependent care credit for one child or dependent and "2" if you qualify to take the credit for two or more children or dependents. D. _____

E. Add lines A. through D. and enter total here. E. _____

OTHERWISE, STOP HERE

F. **DEDUCTIONS AND INCOME ADJUSTMENTS - NOTE:** Use this Section only if you plan to itemize or claim other deductions or have non-wage income. If computing this section on married filing separate or combined separate status, the following rules apply: (1) include **ONLY** the amount of itemized deductions that pertain to **your** separate return; (2) realty rental losses are not an allowable deduction; (3) IRA contributions are not allowed if your income exceeds \$10,000.

1. Enter an estimate of your 1987 itemized deductions. These include: home mortgage interest, 65% of personal interest, real estate and other taxes (excluding state income tax paid), charitable contributions, medical expenses in excess of 7.5% of earned income, and miscellaneous deductions most miscellaneous deductions are now deductible only in excess of 2% of your income.
1. \$ _____
2. Enter: Delaware Standard Deduction of \$1,000.
2. \$ _____
3. Subtract Line 2 from Line 1, but not less than zero.
3. \$ _____
4. If you do not itemize, enter an additional standard deduction of \$1,000 for each of the following:
 you are 65 years old or over
 you are blind
Enter an additional standard deduction of \$1,000 for each of the following if you claim your spouse as a dependent and he/she is:
 65 years old or over
 blind
4. \$ _____

5. Enter greater of Line 3 or Line 4. 5. \$ _____
6. Enter an estimate of your 1987 adjustments to income. These include alimony paid, IRA contributions, State pension exclusion and certain person over 60 years old/disabled exclusion. 6. \$ _____
7. Add Lines 5 and 6. 7. \$ _____
8. Enter an estimate of your 1987 non-wage income 8. \$ _____
9. Subtract Line 8 from Line 7 and enter the result. 9. \$ _____
10. Divide the amount on Line 9 by \$1,000 and enter result here. Round down to nearest whole number. 10. _____
11. Enter the number from Line E above 11. _____
- G. Add Lines 10 and 11 and enter total here. IF LESS THAN ZERO, SEE SPECIAL INSTRUCTIONS BELOW.* Report this number of allowances on Form W-4 and indicate "For Delaware Purposes Only" to your employer. _____

* **SPECIAL INSTRUCTIONS:** If the total on Line G is less than zero you will need additional withholding as a result of non-wage income. You can calculate the amount of additional withholding as follows (1) multiply number on Line G by \$1000; (2) multiply result by 8.8% (.088); (3) divide result by remaining pay periods this year; (4) result equals additional amount of withholding required per pay.

EXAMPLE: Total on Line G is "-2". Pay periods twice per month, three months remaining in year.

- (1). Line G = 2 x \$1000 = \$2000
- (2). \$2000 x .088 = \$ 176
- (3). Pay Periods Remain = 6 : $\frac{\$ 176}{6}$ = \$29.33 additional withholding per pay period.

You should notify your employer on a "For Delaware Purposes Only" W-4 that withholding allowances should be "0" and an additional \$29.33 per pay period should be withheld for the balance of 1987.